



Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Mayoral committee

Executive Mayor	MS Mofokeng
Speaker	ME Tsokolibane
Chief whip	MC Sale
Members of mayoral committee	
MMC - Infrastructure planning, development and asset management (IPAM)	K Ntombela
MMC - Human settlement	MJ Moshooluba
MMC - Public safety	BP Maseko
MMC - Corporate and governance	B Mncube
MMC - Health and social development	S Sengoatsi
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	LE Kele
MMC - Environmental management and planning	DM Malisa
MMC - Finance and revenue	R Thema
MMC - Basic services	NR Thulo
MMC - Agriculture, local economic development, development planning and tourism	TS Nquba

Accounting Officer

Y. Chamda

Chief Finance Officer (CFO)

BJ Scholtz

Auditors

Auditor-General of South Africa

Primary banking institution

Standard bank of South Africa

Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
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Website

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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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Abbreviations

ELM	Emfuleni Local Municipality
DBSA	Development Bank of South Africa
GRAP	Standards of Generally Recognised Accounting Practice
RUL	Remaining Useful Life
EUL	Estimated Useful Life
AUC	Asset under construction
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Local Government : Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AFS	Annual Financial Statements
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

Emfuleni Local Municipality

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Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 5 to 78, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearer's act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Y. Chamda
Accounting officer

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current assets			
Cash and cash equivalents	2	125,122,613	123,981,682
Trade and other receivables from exchange transactions	3	241,751,301	182,152,806
Trade and other receivables from non-exchange transactions	4	255,901,805	187,538,842
Inventories	5	29,498,219	29,246,303
VAT receivable	6	105,035,512	89,491,959
		757,309,450	612,411,592
Non-current assets			
Property, plant and equipment	7	9,866,227,839	10,079,416,847
Investment property	8	1,402,059,108	1,374,629,394
Intangible assets	9	17,961,105	19,541,268
Heritage assets	10	90,316	90,316
Sanlam shares		16,279	17,912
		11,286,354,647	11,473,695,737
Total Assets		12,043,664,097	12,086,107,329
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	1,281,813,056	1,058,250,925
Unspent conditional grants and receipts	13	7,840,806	30,526,258
Borrowings	14	4,268,305	3,933,883
Finance lease	15	-	538,770
Provision	16	44,955,346	27,584,103
Bank overdraft	2	48,666,507	-
		1,387,544,020	1,120,833,939
Non-current liabilities			
Consumer deposits	12	44,884,636	42,380,899
Borrowings	14	11,625,599	15,893,904
Provision	16	202,522,883	176,047,579
Employee benefit obligation	39	208,836,970	205,905,970
		467,870,088	440,228,352
Total liabilities		1,855,414,108	1,561,062,291
Net assets		10,188,249,989	10,525,045,038
Reserves			
Self insurance reserve	48	24,220,470	25,578,843
Accumulated surplus		10,164,029,486	10,499,466,195
Total Net Assets		10,188,249,956	10,525,045,038

* See Note 30

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

		2016	2015
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	17	3,448,296,206	3,196,565,265
Rental of facilities and equipment	18	12,005,429	6,517,256
Trade and other licenses		99,170	11,079
Actuarial gain		7,950,631	7,599,228
Other income	20	81,854,295	88,475,558
Interest income	19	46,714,693	43,283,771
Dividends received	19	3,025	3,025
Total revenue from exchange transactions		3,596,923,449	3,342,455,182
Revenue from non-exchange transactions			
Property rates	21	598,394,248	543,235,860
Donations		15,529,613	28,470,957
Fines	23	128,278,156	143,679,865
Transfer revenue			
Government grants & subsidies	22	884,953,489	857,237,386
Total revenue from non-exchange transactions		1,627,155,506	1,572,624,068
Total revenue		5,224,078,955	4,915,079,250
Expenditure			
Employee related costs	24	(920,375,699)	(859,642,035)
Remuneration of councillors	25	(47,012,902)	(45,330,968)
Depreciation and impairment		(475,374,580)	(464,241,089)
Finance costs	26	(60,356,987)	(49,203,769)
Debt Impairment		(726,687,941)	(860,468,114)
(Loss)/Gain on sale of assets		1,869,772	(11,575,486)
Repairs and maintenance		(116,132,805)	(87,237,556)
Bulk purchases	27	(2,168,718,881)	(1,978,206,861)
Contracted services		(179,149,040)	(239,703,840)
Imputed interest		12,195,251	2,410,763
General expenses	28	(913,914,698)	(847,981,094)
Total expenditure		(5,593,658,510)	(5,441,180,049)
Operating deficit		(369,579,555)	(526,100,799)
Fair value adjustments		32,784,473	(28,590,497)
(Deficit)/surplus for the year		(336,795,082)	(554,691,296)

* See Note 30

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of changes in net assets

	Insurance reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2014	8,374,692	11,071,361,642	11,079,736,334
Changes in net assets			
Surplus for the year	-	(554,691,296)	(554,691,296)
Withdrawal	17,204,151	(17,204,151)	-
Total changes	17,204,151	(571,895,447)	(554,691,296)
Restated* Balance at 01 July 2015	25,578,843	10,499,466,195	10,525,045,038
Changes in net assets			
Deficit for the year	-	(336,795,082)	(336,795,082)
Withdrawal	(1,358,373)	1,358,373	-
Total changes	(1,358,373)	(335,436,709)	(336,795,082)
Balance at 30 June 2016	24,220,470	10,164,029,486	10,188,249,956

* See Note 30

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash flow statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,848,385,480	2,757,578,725
Grants		862,268,037	859,167,170
Interest income		23,134,709	43,283,771
Dividends received		3,025	3,025
Other receipts		597,425,490	387,217,452
		<u>4,331,216,741</u>	<u>4,047,250,143</u>
Payments			
Employee costs		(988,283,601)	(899,296,564)
Suppliers		(2,256,234,066)	(2,068,403,844)
Finance costs		(23,148,731)	(43,355,769)
Other payments		(877,914,188)	(749,098,351)
		<u>(4,145,580,586)</u>	<u>(3,760,154,528)</u>
Net cash flows from operating activities	29	<u>185,636,155</u>	<u>287,095,615</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(240,745,131)	(285,963,196)
Proceeds from sale of property, plant and equipment	7	9,482,913	581,893
Purchase of intangible assets	9	(134,946)	(2,031,326)
Net cash flows from investing activities		<u>(231,397,164)</u>	<u>(287,412,629)</u>
Cash flows from financing activities			
Repayment of borrowings		(4,268,305)	(3,933,886)
Movement in consumer deposits		2,503,737	4,976,837
Finance lease payments		-	(538,770)
Net cash flows from financing activities		<u>(1,764,568)</u>	<u>504,181</u>
Net increase/(decrease) in cash and cash equivalents		<u>(47,525,577)</u>	<u>187,167</u>
Cash and cash equivalents at the beginning of the year		123,981,682	123,794,515
Cash and cash equivalents at the end of the year	2	<u>76,456,105</u>	<u>123,981,682</u>

* See Note 30

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,708,989,652	(77,979,118)	3,631,010,534	3,448,296,206	(182,714,328)	
Rental of facilities and equipment	15,630,798	-	15,630,798	12,005,429	(3,625,369)	
Trade and other licenses	13,725	-	13,725	99,170	85,445	Note 41
Actuarial gain	-	(1,138,681)	(1,138,681)	7,950,631	9,089,312	Note 41
Other income	76,276,383	81,789,145	158,065,528	81,854,295	(76,211,233)	
Profit sale of assets	1,495,856	(1,495,856)	-	-	-	
Interest received	25,063,532	-	25,063,532	46,714,693	21,651,161	Note 41
Dividends received	5,290	-	5,290	3,025	(2,265)	
Total revenue from exchange transactions	3,827,475,236	1,175,490	3,828,650,726	3,596,923,449	(231,727,277)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	687,093,481	(82,043,270)	605,050,211	598,394,248	(6,655,963)	
Donations	-	46,876	46,876	15,529,613	15,482,737	Note 41
Fines	170,321,413	-	170,321,413	128,278,156	(42,043,257)	
Transfer revenue						
Government grants & subsidies	1,071,345,353	(166,260,037)	905,085,316	884,953,489	(20,131,827)	
Total revenue from non-exchange transactions	1,928,760,247	(248,256,431)	1,680,503,816	1,627,155,506	(53,348,310)	
Total revenue	5,756,235,483	(247,080,941)	5,509,154,542	5,224,078,955	(285,075,587)	
Expenditure						
Personnel	(955,566,980)	62,025,536	(893,541,444)	(920,375,699)	(26,834,255)	
Remuneration of councillors	(47,293,237)	280,310	(47,012,927)	(47,012,902)	25	
Depreciation and amortisation	(346,673,944)	(55,458,838)	(402,132,782)	(475,374,580)	(73,241,798)	Note 41
Finance costs	(1,802,875)	(58,554,125)	(60,357,000)	(60,356,987)	13	
Bad debts written off	(772,220,200)	162,837,431	(609,382,769)	(726,687,941)	(117,305,172)	
(Loss)/gain on disposal of assets	-	-	-	1,869,772	1,869,772	Note 41
Repairs and maintenance	(224,712,411)	81,769,248	(142,943,163)	(116,132,805)	26,810,358	Note 41
Bulk purchases	(2,173,074,862)	4,355,980	(2,168,718,882)	(2,168,718,881)	1	Note 41
Contracted Services	(144,554,395)	(36,501,527)	(181,055,922)	(179,149,040)	1,906,882	
Imputed interest	-	-	-	12,195,251	12,195,251	Note 41
General Expenses	(556,455,619)	(119,213,199)	(675,668,818)	(913,914,698)	(238,245,880)	Note 41
Total expenditure	(5,222,354,523)	41,540,816	(5,180,813,707)	(5,593,658,510)	(412,844,803)	
Operating deficit	533,880,960	(205,540,125)	328,340,835	(369,579,555)	(697,920,390)	
Fair value adjustments	-	-	-	32,784,473	32,784,473	
Capital expenditure	(533,880,960)	205,540,125	(328,340,835)	540	328,341,375	
	(533,880,960)	205,540,125	(328,340,835)	32,785,013	361,125,848	
Deficit before taxation	-	-	-	(336,794,542)	(336,794,542)	

Emfuleni Local Municipality

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Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual amount on comparable basis as presented in the budget and actual comparative statement	-	-	-	(336,794,542)	(336,794,542)	

Statement of financial position

Assets

Current assets

Inventories	30,659,000	4,341,000	35,000,000	29,498,219	(5,501,781)	
Trade and other receivables from non-exchange transactions	104,450,000	201,577,606	306,027,606	255,901,805	(50,125,801)	Note 41
VAT receivable	-	-	-	105,035,512	105,035,512	Note 41
Trade and other receivables from exchange transactions	307,588,000	190,785,835	498,373,835	241,751,301	(256,622,534)	
Cash and cash equivalents	155,428,000	(68,677,667)	86,750,333	125,122,613	38,372,280	Note 41
	598,125,000	328,026,774	926,151,774	757,309,450	(168,842,324)	

Non-current assets

Investment property	1,452,573,000	(77,943,644)	1,374,629,356	1,402,059,108	27,429,752	
Property, plant and equipment	10,237,791,000	(75,642,539)	10,162,148,461	9,866,227,839	(295,920,622)	
Intangible assets	21,107,000	(1,551,941)	19,555,059	17,961,105	(1,593,954)	
Heritage assets	-	108,228	108,228	90,316	(17,912)	
Sanlam shares	-	-	-	16,279	16,279	Note 41
Other assets	396,000	(396,000)	-	-	-	
	11,711,867,000	(155,425,896)	11,556,441,104	11,286,354,647	(270,086,457)	

Total Assets

	12,309,992,000	172,600,878	12,482,592,878	12,043,664,097	(438,928,781)	
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Liabilities

Current liabilities

Borrowings	1,550,000	993,761	2,543,761	4,268,305	1,724,544	
Trade and other payables from exchange transactions	326,023,000	60,838,296	386,861,296	1,281,813,056	894,951,760	Note 41
Unspent conditional grants and receipts	-	-	-	7,840,806	7,840,806	
Provision	-	27,584,103	27,584,103	44,955,346	17,371,243	Note 41
Bank overdraft	-	-	-	48,666,507	48,666,507	
	327,573,000	89,416,160	416,989,160	1,387,544,020	970,554,860	

Non-current liabilities

Borrowings	16,500,000	(606,096)	15,893,904	11,625,599	(4,268,305)	Note 41
Employee benefit obligation	-	-	-	208,836,970	208,836,970	Note 41
Provision	306,622,000	117,947,129	424,569,129	202,522,883	(222,046,246)	Note 41
Consumer deposits	44,408,000	(7,562,130)	36,845,870	44,884,636	8,038,766	Note 41
	367,530,000	109,778,903	477,308,903	467,870,088	(9,438,815)	

Total liabilities

	695,103,000	199,195,063	894,298,063	1,855,414,108	961,116,045	
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Net assets

	11,614,889,000	(26,594,185)	11,588,294,815	10,188,249,989	(1,400,044,826)	
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Net assets						
Reserves						
Insurance reserve	3,000,000	24,313,041	27,313,041	24,220,470	(3,092,571)	
Accumulated surplus	11,611,889,000	(50,907,226)	11,560,981,774	10,164,029,519	(1,396,952,255)	
Total Net Assets	11,614,889,000	(26,594,185)	11,588,294,815	10,188,249,989	(1,400,044,826)	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of comparison of budget and actual amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	3,621,850,000	(241,350,000)	3,380,500,000	-	(3,380,500,000)	
Grants	1,058,714,000	(176,868,000)	881,846,000	-	(881,846,000)	
Interest income	25,064,000	-	25,064,000	-	(25,064,000)	
Dividends received	5,000	-	5,000	-	(5,000)	
Other receipts	166,433,000	-	166,433,000	-	(166,433,000)	
	4,872,066,000	(418,218,000)	4,453,848,000	-	(4,453,848,000)	

Payments

Employee costs and suppliers	(4,042,027,000)	(98,611,000)	(4,140,638,000)	-	4,140,638,000	
Finance costs	(1,878,000)	-	(1,878,000)	-	1,878,000	
	(4,043,905,000)	(98,611,000)	(4,142,516,000)	-	4,142,516,000	

Net cash flows from operating activities	828,161,000	(516,829,000)	311,332,000	-	(311,332,000)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(533,881,000)	198,040,000	(335,841,000)	-	335,841,000	
Proceeds from sale of property, plant and equipment	2,996,000	-	2,996,000	-	(2,996,000)	

Net cash flows from investing activities	(530,885,000)	198,040,000	(332,845,000)	-	332,845,000	
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Cash flows from financing activities

Repayment of borrowings	(90,000,000)	(60,000,000)	(150,000,000)	-	150,000,000	
Short term loans	90,000,000	60,000,000	150,000,000	-	(150,000,000)	

Net cash flows from financing activities	-	-	-	-	-	
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Net increase/(decrease) in cash and cash equivalents	297,276,000	(318,789,000)	(21,513,000)	-	21,513,000	
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Cash and cash equivalents at the beginning of the year	(121,100,000)	245,082,000	123,982,000	-	(123,982,000)	
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Cash and cash equivalents at the end of the year	176,176,000	(73,707,000)	102,469,000	-	(102,469,000)	
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Trade receivables and other receivables

The municipality assesses its trade receivables, and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.2 Significant judgements and sources of estimation (continued)

Provisions

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years. The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money.

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. These norms are based on South African Institution of Civil Engineering norms. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The discount rate was set as the nominal and zero curves as at 30 June 2016 supplied by the JSE and the CPI assumptions at each relevant time period.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June. This rate is similar to the interest rate levied on arrear consumer accounts.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Property plant and equipment

The useful life of property plant and equipment are based on management's estimation. Infrastructure assets useful life are based on technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.

Self-insurance reserve

A self-insurance reserve has been established which covers claims that may occur. Premiums are charged to the respective services, taking into account claims history and replacement value of the insured assets.

Emfuleni Local Municipality

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1.2 Significant judgements and sources of estimation (continued)

Other

Revenue from issuing of fines is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of revenue can be measured reliably.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and fair value of investment property reflects market conditions at the reporting date.

Where investment property is acquired through a none exchanged transaction, its cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up, is recognised in surplus or deficit when the compensation becomes receivable.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. A gain or loss arising from the disposal or retirement of an item of investment property is determined as difference between the proceeds and the carrying value and is recognised in the statement of financial performance.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial measurement

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Accounting policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

Property, plant and equipment are measured at fair value at the date of acquisition, where assets have been acquired by donation or grant and for assets that are newly identified through formal assets verification procedures for which cost records are not available or not reliable at the date of acquisition

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

After initial recognition property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Enhancement to property, plant and equipment do not qualify as assets unless these extend the useful life of the enhanced property, plant and equipment. Day to day servicing cost of an assets are not recognised in the carrying amount of an item of property, plant and equipment.

Major spare parts, standby equipment which are expected to be used for more than one period are included in the property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (Cost less residual value), using the straight method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and paving		20
• Electricity		50-60
• Water		15-20
• Sewerage		15-20
• Housing		30
Community assets		
• Buildings		30
• Recreational facilities		20-30
• Security		5

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1.4 Property, plant and equipment (continued)

Other assets

• Buildings	30
• Specialised vehicle	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Water craft	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	2-5
• Landfill sites	30-55
• Computer software	3-5
• Art, paintings, sculptures and ornaments	10

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus and deficit.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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Accounting policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Initial measurement

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

If an intangible asset is acquired through a non-exchange transaction, its cost shall be its fair value as at the date of its acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits or service potential. Amongst other things, the municipality can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally also, the usefulness of intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset.
- its ability to measure reliably the expenditure attributable to the asset during its development.

Websites

Initial recognition.

Websites are internally generated intangible assets that are initially recognised at the value of improvement/development costs in terms of IGRAP16.

The cost of an internally generated intangible asset (website) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent measurement

After initial measurement, websites will be carried at cost less accumulated amortisation and impairment loss.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

An intangible asset arising from development (or from development phase of an internal project) is recognised when:

- It is technically feasible to complete the assets so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential

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Accounting policies

1.5 Intangible assets (continued)

- there is available technical, financial and other resources to complete the development and to use or sell the assets.
- the expenditure attributable to the assets during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life the residual value is always deemed zero unless:

- A third party has committed to purchase the asset at the end of the useful life.
- There is an active market for the asset and

a) the residual value can be determined by reference to that market; and

b) it is probable that such market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life:

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Heritage assets are defined as any asset that has a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Recognition and measurement

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Accounting policies

1.6 Heritage assets (continued)

Initial recognition

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment.

An impairment is reversed only to the extent that the asset's carrying amount that would have been determined had no impairment been recognised.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising on the disposal or retirement of heritage asset is determined as a difference between the sales proceeds and the carrying value of the heritage assets and is recognised in the statement of financial performance.

1.7 Financial instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

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Accounting policies

1.7 Financial instruments (continued)

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is de-recognised or impaired, or through the amortisation process.

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1.7 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, through the amortisation process.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2014. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single coordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

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1.10 Discontinued Operations (continued)

A component of a municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an assets is less than the carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

Reversal of impairment loss

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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Accounting policies

1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition, contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.16 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Prepaid electricity estimation

The process of selling prepaid electricity has changed in the current financial year. The electricity is made available to the vendor and the vendor only pays over to the municipality once the electricity is sold, resulting in no electricity on hand at year end.

It is not possible to provide any statistics regarding the electricity smart meters as a process of installing the CIU (Communication device) takes a long time. After the installation of the communication device as well as the correcting of the consumer account, it will be possible to measure electricity on hand at year end.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Rates, including collection charges and penalties interest

Property rates are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria of an asset.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.17 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised to the extent that the asset can be recognised less any liability for conditions imposed in terms of the grant.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

Other grants and donations

Where there is conditions attached to the grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when conditions attached to the grant are met.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Gifts and donations, including goods in kind

Gifts and donations, including goods in kind are recognised as an assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in kind

Services in kind are not recognised.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of the assets.

1.20 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account.

The calculation for self insurance-contribution for the year is computed by the insurance underwriters based on the computed amount at each year end, a transfer from the accumulated surplus is made towards the self-insurance reserve and is cash backed.

1.21 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.22 Unauthorised expenditure (continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Accepted Accounting Practices (GRAP)

1.26 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget. The budget information is based on the same period as the actual amount.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting policies

1.27 Related parties (continued)

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	11,419	9,219
Bank balances	29,220,579	35,785,263
Call accounts	95,890,615	88,187,200
Bank overdraft	(48,666,507)	-
	76,456,106	123,981,682
Current assets	125,122,613	123,981,682
Current liabilities	(48,666,507)	-
	76,456,106	123,981,682

The primary banking institution is Standard bank, the following secondary banking institutions are also applicable

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
ABSA bank - current account - 530-000-087	8,245,141	26,493,163	6,798,957	28,884,586
ABSA bank - salary account - 405-774-9059	739,298	4,851,625	(23,066)	4,169,157
First National Bank - traffic fines - 620-723-53396	930,523	854,762	930,523	854,762
ABSA bank - traffic fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard bank - current account - 420-502-084	30,283,823	4,889,681	13,007,739	1,367,720
Nedbank - current account - 101-065-4888	203,424	203,692	203,424	203,692
Standard bank - current account - 021-879-370	4,502,392	87,794	4,502,392	87,794
Standard bank - current account - 080-488-129	3,790,611	207,542	3,790,611	207,542
First National Bank - current account - 624-919-68205	(48,666,467)	10	(48,666,467)	10
Total	38,745	37,598,269	(19,445,887)	35,785,263

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

2. Cash and cash equivalents (continued)

Call accounts

Invested with	01 July 2015	Invested	Interest capitalised	Withdrawn	Total
ABSA-9208236189	474,187	-	17,461	-	491,648
ABSA-9286830535	1,263,393	54,343,280	629,104	(40,234,626)	16,001,151
ABSA-9289903783	1,329,529	15,000,000	413,064	(52)	16,742,541
ABSA- 9297192700	24,980,516	40,000,000	976,686	(56,078,881)	9,878,321
ABSA-4087082936	-	1,450,000	54,354	(1,504,354)	-
ABSA-4087369954	-	131,452,726	609,206	(130,968,052)	1,093,880
ABSA-9307493155	6,495,770	-	5,566	(6,501,336)	-
ABSA-9298000661	1,481,876	-	1,919	(1,483,795)	-
STD Bank-	13,666,417	-	968,762	-	14,635,179
028606817#54#58#66					
STD Bank-	1,526,798	-	-	(92,146)	1,434,652
028606817#60#62					
STD Bank-	-	9,400,000	78,877	(9,222,070)	256,807
028606817#60#68					
Nedbank-	930,484	-	-	-	930,484
03/7881044284#015					
Nedbank-	9,105,740	-	-	(5,155,160)	3,950,580
03/7881044284/0025					
Nedbank-	3,158,101	199,328	-	-	3,357,429
03/7881044284/0036					
Investec - 1400192509500	18,596,676	73,009,452	91,622	(80,590,572)	11,107,178
FNB-74367739701	383,288	-	23,229	(406,517)	-
FNB-74377598238	1,061,001	-	28,429	(1,089,430)	-
FNB-74380919140	298,060	-	7,986	(306,046)	-
FNB-74386379801	105,218	-	160	(105,378)	-
FNB-74397969584	50,461	-	3,049	(53,510)	-
FNB-74408742994	151,044	-	9,125	(160,169)	-
FNB-74552300515	-	930,000	24,822	(954,822)	-
FNB-74559058498	-	576,852	1,014	(577,866)	-
FNB-62448657398	3,128,642	93,948	7,781	(3,230,371)	-
FNB - 62601766613	-	58,483,000	685,588	(43,157,841)	16,010,747
	88,187,201	384,938,586	4,637,804	(381,872,994)	95,890,597

Unlimited cession dated 25/07/2008 of a Absa call account no 9208236189, Held to partly secure (76%) of a R587 094 financial guarantee facility.

During the financial year the municipality obtained an overdraft facility of R150 000 000 from First National Bank, as per the terms of condition of the facility, R50 million is repayable on 30 November 2015, another R50 million on 31 March 2016 and the balance repayable on 30 June 2016. No securities were pledged for the overdraft.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	401,920,433	363,976,952
Water	2,575,220,325	2,108,357,949
Sewerage	813,317,951	693,563,441
Refuse	510,242,018	435,253,996
	4,300,700,727	3,601,152,338
Less: Allowance for impairment		
Electricity	(362,757,941)	(341,351,792)
Water	(2,439,486,421)	(2,002,326,865)
Sewerage	(768,923,649)	(658,037,957)
Refuse	(487,781,415)	(417,282,918)
	(4,058,949,426)	(3,418,999,532)
Net balance		
Electricity	39,162,492	22,625,160
Water	135,733,904	106,031,084
Sewerage	44,394,302	35,525,484
Refuse	22,460,603	17,971,078
	241,751,301	182,152,806
Age analysis		
Current (0-30 days)	220,714,427	188,716,026
31 - 60 days	109,000,567	99,387,204
61 - 90 days	91,731,945	93,905,877
91 days +	3,879,253,789	3,219,143,232
	4,300,700,728	3,601,152,339
Reconciliation of allowance for impairment		
Balance at beginning of the year	(3,418,999,532)	(2,680,921,630)
Contributions to allowance	(563,892,215)	(640,103,044)
Contribution to VAT portion	(76,097,779)	(99,299,781)
Debt impairment written off against allowance	40,100	1,324,923
	(4,058,949,426)	(3,418,999,532)

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.

All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days, according to the following criteria:

Bad debt

Government accounts : 0% of the total outstanding amount

Sundry accounts: 100% between 91 days and more

Business/industrial: 100% between 91 days and more

Residential: average ratio between 91 days and more

Indigent accounts: 100% of outstanding amount

Emfuleni Local Municipality

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Notes to the annual financial statements

	2016 R	2015 R
3. Trade and other receivables from exchange transactions (continued)		
All other accounts:		
- Outstanding amounts between 181 days and more		
- Balance of amounts not collected under collectable and doubtful debt.		
4. Trade and other receivables from non-exchange transactions		
Property rates	576,906,834	527,909,884
Impairment property rates	(495,392,509)	(460,736,161)
Other debtors	645,059,759	699,337,236
Impairment other debtors	(477,918,267)	(588,881,656)
Other receivables- fines	156,069,230	155,810,360
Impairment fines	(147,305,943)	(145,900,821)
Grant debtors	8,482,450	9,999,749
Impairment grant debtor	(9,999,749)	(9,999,749)
	255,901,805	187,538,842
Reconciliation for allowance for impairment		
Opening balance	(1,083,514,098)	(985,072,204)
Contribution to allowance	(162,795,726)	(220,365,071)
Contribution VAT portion	(214,771)	4,419,840
Amounts written off as uncollectible	115,908,127	117,503,337
	(1,130,616,468)	(1,083,514,098)
Age analysis: property rates		
Current (0-30 days)	40,302,014	46,965,779
31-60 days	16,144,594	16,311,752
61-90 days	13,210,924	13,037,892
91 days +	507,249,302	451,594,461
	576,906,834	527,909,884
Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.		
Interest at a rate of prime plus 2% is levied on arrear debtors accounts.		
All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days.		
5. Inventories		
Consumable stores	28,183,630	28,539,629
Water	1,314,589	706,674
	29,498,219	29,246,303
6. Value added tax receivable		
VAT	105,035,512	89,491,959

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building property	546,790,476	(237,254,578)	309,535,898	546,359,476	(208,939,181)	337,420,295
Community assets	687,825,158	(119,667,934)	568,157,224	687,825,158	(104,010,093)	583,815,065
Infrastructure	11,205,532,537	(3,056,174,945)	8,149,357,592	11,504,177,301	(3,056,174,945)	8,448,002,356
Other assets	327,635,653	(243,933,974)	83,701,679	(28,998,281)	118,295,043	89,296,762
Capital work in progress	755,475,446	-	755,475,446	620,882,369	-	620,882,369
Total	13,523,259,270	(3,657,031,431)	9,866,227,839	13,330,246,023	(3,250,829,176)	10,079,416,847

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Fair value adjustment	Disposals / Derecognition	AUC transfers	Donated assets	Provision adjustment	Transfer	Depreciation	Impairment	Total
Building property	337,420,295	-	-	-	431,000	-	-	-	(28,315,397)	-	309,535,898
Community assets	583,815,065	-	-	-	-	-	-	-	(15,657,841)	-	568,157,224
Infrastructure	8,448,002,356	42,227,446	-	(728,303)	57,222,681	14,708,089	7,231,047	-	(419,305,724)	-	8,149,357,592
Other assets	89,296,762	6,270,931	862,922	(2,348,426)	-	-	-	(12,977)	(10,138,444)	(229,089)	83,701,679
Capital work in progress	620,882,369	192,246,754	-	-	(57,653,677)	-	-	-	-	-	755,475,446
	10,079,416,847	240,745,131	862,922	(3,076,729)	4	14,708,089	7,231,047	(12,977)	(473,417,406)	(229,089)	9,866,227,839

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Fair value adjustment	AUC	Disposals / Derecognition	Donated assets	Provision adjustment	Transfer	Depreciation	Impairment	Total
Building property	366,977,710	-	-	-	(978,768)	-	-	(4,812)	(28,573,835)	-	337,420,2
Community assets	598,601,155	-	-	-	(190,954)	4,304,595	-	-	(15,548,681)	(3,351,050)	583,815,0
Infrastructure	8,701,145,657	27,346,492	-	29,313,767	(8,445,830)	24,166,361	73,204,652	(54,623)	(398,358,426)	(315,694)	8,448,002,3
Other assets	103,200,692	2,746,098	1,484,037	22,019	(2,541,828)	-	-	154,810	(15,449,397)	(319,669)	89,296,7
Capital work in progress	394,652,429	255,565,726	-	(29,335,786)	-	-	-	-	-	-	620,882,3
	10,164,577,643	285,658,316	1,484,037	-	(12,157,380)	28,470,956	73,204,652	95,375	(457,930,339)	(3,986,413)	10,079,416,8

Change in estimates, RUL and RV

During the annual review meetings, the RUL, EUL and RV definitions and GRAP requirements were explained to the ELM technical department. Emfuleni Local Municipality technical departments reviewed the EULs, RULs and RVs on existing assets as at 1 July 2015. During the review it was decided that certain component's remaining useful life should be changed. The financial implication is that the annual depreciation will increase by R2,893,715 in the 2015/16 financial year.

De-recognition

Included in the recognitions are items that were replaced. The replaced assets were de-recognised when components were added. The de-recognitions amount to R6 412 565. Included in this amount were electrical assets amounting to R882 181 and sewer assets to the value of R954 769. The de-recognitions were included in the 2015/16 assets register.

Provision adjustment

A provision adjustment of R26 475 304 was done due to the values for the rehabilitation of landfill sites that increased significantly from that of the previous year.

Fair value adjustment

Newly identified movable assets to the value of R1 474 037 were added to the fixed asset register after being fair valued.

Emfuleni Local Municipality

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	2016 R	2015 R
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8. Investment property

	2016			2015		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	1,402,059,108	-	1,402,059,108	1,374,629,394	-	1,374,629,394

Reconciliation of investment property - 2016

	Opening balance	Disposals / Derecognition	Donated assets	Fair value adjustments	Total
Investment property	1,374,629,394	(4,536,412)	42,960	31,923,166	1,402,059,108

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	1,404,705,167	(30,075,773)	1,374,629,394

Details of valuation

Fair value adjustments - Investment property

Investment property is measured using the fair value model.

For the determination of annual review of the fair value in 2015/16 financial year, the values as determined during 2015 served as a basis and were adjusted on the trend of actual sales from various suburbs - in line the AM procedures adopted by the municipality.

Emfuleni Local Municipality

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9. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	30,832,183	(26,720,594)	4,111,589	30,709,049	(25,017,297)	5,691,752
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
Total	44,681,699	(26,720,594)	17,961,105	44,558,565	(25,017,297)	19,541,268

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	5,691,752	134,946	12,978	(1,728,087)	4,111,589
Servitudes	13,849,516	-	-	-	13,849,516
	19,541,268	134,946	12,978	(1,728,087)	17,961,105

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software	6,080,137	2,031,326	(95,375)	(2,324,336)	5,691,752
Servitudes	13,849,516	-	-	-	13,849,516
	19,929,653	2,031,326	(95,375)	(2,324,336)	19,541,268

10. Heritage assets

2016

2015

Emfuleni Local Municipality

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				2016 R		2015 R
10. Heritage assets (continued)						
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	90,316	-	90,316	90,316	-	90,316

Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	90,316	90,316

Reconciliation of heritage assets 2015

	Opening balance	Total
Heritage assets	90,316	90,316

Age and/or condition of heritage assets

Assets previously recognised as heritage assets were assessed for significance aligned with Section 3 (3) of the National Heritage Resources Act. The chief criteria for classifying an asset as heritage asset are:

- Social and cultural significance
- Historical significance
- Archaeological significance
- Architectural significance
- Aesthetic significance
- Scientific and technological significance
- Group and relationship significance
- Landmark significance

11. Trade and other payables from exchange transactions

Trade payables	923,584,479	717,770,252
Payments received in advance	164,669,924	125,951,582
Retentions	35,596,321	36,317,202
Accrued interest	594,444	719,550
Accrual for annual leave	60,169,818	53,809,615
Accrual for 13th cheque	23,823,509	19,303,877
Year-end salary creditors	32,244,288	30,307,884
Unclaimed wages	1,426,117	1,404,791
Other payables	3,205,517	2,784,449
Unrealised income	42,641,326	72,292,486
Imputed interest on creditors	(6,142,687)	(2,410,763)
	1,281,813,056	1,058,250,925

Unrealised Income

Emfuleni local municipality entered into an agreement with MBD Credit Solutions on 17 December 2014. In terms of the agreement, the municipality has granted the service provider the exclusive right to collect debts of 30 days plus in respect of the Debtors Book and perform all functions incidental thereto as expressly provided for in terms of the agreement. The agreement will be for an initial period of three years. MBD paid R100 000 000 (VAT inclusive)

In terms of the signed agreement, the commission payable to the service provider will be 35% of all collections up to a cap of R420 000 000

Emfuleni Local Municipality

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	2016 R	2015 R
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11. Trade and other payables from exchange transactions (continued)

A trust account was opened by MBD credit solutions and the debtors can make payments in either the primary bank account of the municipality or the trust account. Transfers can be made by MBD credit solutions to the municipality from the trust account but an amount equal to the aggregate quantum of the commission earned the preceding month must be left in the account.

Council in conjunction with Gauteng Provincial Treasury is currently defending a claim by MBD in arbitration proceedings in AFSA and are awaiting the outcome of the case.

12. Consumer deposits

Electricity and water	44,884,636	42,380,899
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The amounts reflected represent a cost value. Management believes that the cost value approximates the fair value. Bank guarantees to the value of R5 967 205 form part of the amount disclosed as R44 884,636.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Social development grant	-	11,276,824
EPWP grant	-	30,200
Bontle ke botho	771,160	2,202,554
Neighbourhood development grant	500	4,431,807
Library grant	1,784,560	1,042,120
Sedibeng regional sewer scheme	-	3,607,639
Department of water affairs grant	930,484	930,484
Electricity demand site management grant	-	1,517,299
Regional sewer scheme	-	1,134,668
Projects funded ex Sedibeng district municipality	2,704,127	2,704,127
Municipal systems improvement grant Sedibeng	-	50,000
Debtors book project grant	-	219,952
Sport and recreation	-	560,132
Sedibeng maintenance grant	385,092	818,452
Financial management grant	(50)	-
Cogta grant	1,264,933	-
	7,840,806	30,526,258

Refer to note 22 for detailed movements on grants

Emfuleni Local Municipality

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	2016 R	2015 R
14. Borrowings		
At amortised cost		
Borrowings	15,893,904	19,827,787
Non-current liabilities		
At amortised cost	11,625,599	15,893,904
Current liabilities		
At amortised cost	4,268,305	3,933,883

The municipality has two loans with DBSA, loan #13554/101 with an interest rate of 15.74% and loan #13959/101 with an interest rate of 10.45%. Both loans are payable on a half yearly basis.

15. Finance lease

Minimum lease payments due

- within one year	-	538,770
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The average lease term is 3years and the average effective borrowing rate or escalation was 9% interest rates are fixed or variable at a contract date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements.

The municipality's obligation under finance leases are secured by the leases charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the leases. No terms and conditions of finance leases were re-negotiated. There is no restriction imposed on the lease agreements

Emfuleni Local Municipality

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	2016 R	2015 R
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16. Provision

Reconciliation of provision - 2016

	Opening balance	Additions	Increase due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	176,047,579	-	26,475,304	202,522,883
Legal proceedings	27,584,103	17,371,243	-	44,955,346
	203,631,682	17,371,243	26,475,304	247,478,229

Reconciliation of provision - 2015

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	86,475,690	-	89,571,889	176,047,579
Legal proceedings	-	27,584,103	-	27,584,103
	86,475,690	27,584,103	89,571,889	203,631,682

Non-current liabilities	202,522,883	176,047,579
Current liabilities	44,955,346	27,584,103
	247,478,229	203,631,682

Environmental rehabilitation provision

The financial provision calculated represents the expenditure required for rehabilitation of the cell areas currently used (not the entire site), including areas that have been used but not rehabilitated. The expected rehabilitation costs have been determined and interest added up to the expected date of rehabilitation of the respective landfill cell areas.

The discount rate of 10.5% utilised to account for the finance cost is based on the prime lending rate. Using the methodology of calculation of first escalating the proposed costs, then discounting the costs by the relevant dates allows for a full life cycle analysis as well as appropriate cost value which takes into consideration the time value of money..

The municipality has three landfill sites:

Boitshepi

Waldrift

Palm Springs

There is a fourth small dumping site Vaaloewer. This landfill site is very small and not used at all. From time to time illegal dumping takes place there but then the municipality moves that dumped refuse to either Boitshepi or Waldrift landfill sites. The area was inherited from the former Krugersdorp and not used as a dumping area.

Boitshepi

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	2016 R	2015 R
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16. Provision (continued)

The landfill site was licensed in 2011 as a G:L:B+ landfill site and is situated in the outskirts of the Tshepiso residential area near Vanderbijlpark. The extent of the property is 34,4195Ha and the footprint of the current waste disposal area is 26,843Ha. As no progressive rehabilitation has taken place, the entire site will need to be rehabilitated as part of the final closure. The areas to be closed off as at 30th of June 2016 is 24,37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2016 is R98 245 821 excluding VAT.

Waldrift

The landfill site was licensed in 2011. The extent of the property is 31.8842Ha. The proposed waste disposal area is 18.7946Ha and the surface area to be rehabilitated as at 30th of June 2016 is 15.00Ha. Disposal is licensed to be filled to 32m above NGL at closure.

The estimated cost (rehabilitation provision) for the entire site, as at 30th June 2016 is R65 601 664 excluding VAT.

Palm Springs

The landfill site was licensed in 2007 as a G:M:B- landfill site and is situated near Orange Farm. The disposal cells of the site have recently been upgraded to include to formal disposal phases, both of which are still operational. The site will grow to include 6 disposal phases over the life of the site.

The extent of the property is 66,6384Ha and the waste disposal area is 25,0597Ha. t

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2016 is R37 679 262 excluding VAT.

Vaaloewer refuse disposal site

The Vaaloewer site is not licensed and this is still the case in 2016. The two available options are to either license it with eventual conventional rehabilitation to follow - or, considering, size and cost of licensing a site, to totally remove the waste on closure and rehabilitate the area afterwards. The second option (removal of waste and restoration of the site) has been used as basis for the cost estimate, with closure in 2026.

The provision as at 30 June 2016 for the cost of removal and rehabilitation have been estimated at a cost of R996 137.

On this base the provisions at 30 June 2016 can be summarised as follows:

- i) Waldrift landfill site : R 65 601 664
- ii) Boitshepi landfill site : R 98 245 821
- iii) Palm springs landfill site: R 37 679 262
- iv) Vaaloewer refuse site : R 996 137

The decrease in the rehabilitation of the landfill sites is due to the following:

The Palm springs landfill site is now classified as a G:M:B- which states that no progressive rehabilitation may be stipulated or required but the license holder is responsible for any environmental damage caused by the site in the long term.

Total provision for rehabilitation as at 30 June 2016 for all four sites at the respective closure dates is estimated at R202 522 884.

Emfuleni Local Municipality

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	2016 R	2015 R
17. Service charges		
Sewerage and sanitation charges	301,765,114	381,838,558
Sale of electricity	1,846,577,644	1,781,097,480
Sale of water	1,059,101,399	976,588,994
Refuse removal	188,026,727	172,553,268
Other service charges	52,825,322	(115,513,035)
	3,448,296,206	3,196,565,265
18. Rental of facilities and equipment		
Premises		
Rental of facilities	12,000,908	6,272,671
Facilities and equipment		
Rental of equipment	4,521	244,585
	12,005,429	6,517,256
19. Finance income		
Dividend revenue		
Dividends	3,025	3,025
Interest revenue		
Interest on arrears	37,794,845	33,025,130
Bank	8,919,848	10,258,641
	46,714,693	43,283,771
	46,717,718	43,286,796

Emfuleni Local Municipality

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	2016 R	2015 R
20. Other income		
Access to information	227,881	275,729
Meter tampering fees	-	149,123
Capital contribution	5,128,689	6,675,533
Dishonoured cheques	53,160	75,167
Refunds (SETA)	1,610,886	1,793,327
Sundries/unallocated income	6,462,033	64,223
Surplus cash	1,004	4,092
Warning services	1,609,279	952,579
Advertising	666,468	704,008
Informal trading revenue	139,380	204,417
Alienation of stand	54,386	56,603
Deed searches	24,817	50
Reconnection fees	3,866,516	2,871,944
Planning fees	117,048	206,705
Sale of tender documents	835,250	397,250
Zoning certificates	390,111	436,263
Activity room/auditorium	24,485	41,400
Building plans	1,825,298	1,753,738
Cemeteries	11,058,197	10,173,244
Entrance fees	1,098,527	249,980
General service fees	6,421,593	6,217,833
Fire rescue services	214,148	307,209
Flammable liquid	143,033	108,801
Refuse dumping landfill site	10,641,652	8,915,812
Lost and damaged library material	688	2,321
Sale of right to collect	29,239,766	45,838,207
	81,854,295	88,475,558

21. Property rates

Rates

Rates levied	598,394,248	543,235,860
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The valuations are utilised to levy property rates on a monthly basis.

Rebates on property rates levied can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.

Valuations

Residential	58,540,794,471	56,019,605,000
Business	8,807,204,750	8,614,046,750
Industrial	4,884,855,000	4,772,871,000
State owned properties	1,865,916,000	1,741,416,000
Municipal	964,935,000	985,266,000
Agricultural	1,191,000,000	1,219,705,000
Other	1,136,759,051	838,050,047
	77,391,464,272	74,190,959,797

Emfuleni Local Municipality

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	2016 R	2015 R
22. Government grants and subsidies		
Operating grants		
Equitable share	600,888,307	602,144,000
Financial management grant	1,450,050	1,450,000
Cogta grant	7,260,067	-
Municipal systems improvement grant	930,000	942,070
Social development grant	41,676,824	16,623,176
Expanded public works programme grant	3,583,200	4,660,800
Bontle ke botho	1,431,395	169,127
Water sanitation grant	-	4,062,960
Health and environmental subsidies	47,736,336	48,364,009
Neighbourhood development grant	-	568,193
Debtors book restructuring grant	219,952	-
Sedibeng maintenance grant	433,360	-
Regional sewer scheme	1,134,668	-
Sport and recreation	560,132	-
Infrastructure asset management grant	1,000,000	1,000,000
Gauteng department of economic development(LED)	1,500,000	-
	<u>708,304,291</u>	<u>679,984,335</u>
Capital grants		
Municipal infrastructure grant	163,009,000	157,727,000
National electrification programme	-	9,794,764
Library grant	8,482,559	4,117,213
Performance management grant	-	111,587
Sedibeng regional sewer scheme	3,607,639	5,502,487
Municipal systems improvement grant(Sedibeng)	50,000	-
	<u>175,149,198</u>	<u>177,253,051</u>
	<u>884,953,489</u>	<u>857,237,386</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Financial management grant

Current-year receipts	1,450,000	1,450,000
Conditions met - transferred to revenue	(1,450,050)	(1,450,000)
	<u>(50)</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

Municipal systems improvement grant

Balance unspent at beginning of year	-	8,070
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(942,070)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

Emfuleni Local Municipality

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	2016 R	2015 R
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22. Government grants and subsidies (continued)

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.

Social development grant

Balance unspent at beginning of year	11,276,824	-
Current-year receipts	30,400,000	27,900,000
Conditions met - transferred to revenue	(41,676,824)	(16,623,176)
	<u>-</u>	<u>11,276,824</u>

Conditions still to be met - remain liabilities (see note 13).

Expanded public works programme

Balance unspent at beginning of year	30,200	-
Current-year receipts	3,553,000	4,691,000
Conditions met - transferred to revenue	(3,583,200)	(4,660,800)
	<u>-</u>	<u>30,200</u>

Conditions still to be met - remain liabilities (see note 13).

To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Bontle ke botho

Balance unspent at beginning of year	2,202,554	1,985,931
Current-year receipts	-	385,750
Conditions met - transferred to revenue	(1,431,394)	(169,127)
	<u>771,160</u>	<u>2,202,554</u>

Conditions still to be met - remain liabilities (see note 13).

The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.

Water and sanitation grant

Current-year receipts	-	4,062,960
Conditions met - transferred to revenue	-	(4,062,960)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to resolve water supply problems at the identified hot spots of Iraq and river view informal settlements within the Emfuleni Local Municipality.

Health and environment subsidies

Current-year receipts	47,736,336	48,364,008
Conditions met - transferred to revenue	(47,736,336)	(48,364,008)
	<u>-</u>	<u>-</u>

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	2016 R	2015 R
22. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
Neighbourhood development grant		
Balance unspent at beginning of year	4,431,807	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(568,193)
Withheld by National Treasury	(4,431,307)	-
	<u>500</u>	<u>4,431,807</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support and facilitate the development of urban network plans that consist of primary and secondary networks that interconnect at strategic nodes, which in townships are referred to as urban hubs. The amount of R4 431 307 was offset against the equitable share in November 2015..		
Infrastructure asset management grant		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to support identified municipalities to update and maintain the infrastructure (Service delivery, asset registers in compliance with GRAP 17).		
Municipal Infrastructure grant		
Current-year receipts	163,009,000	157,727,000
Conditions met - transferred to revenue	(163,009,000)	(157,727,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor		
National electrification programme		
Balance unspent at beginning of year	-	9,794,764
Conditions met - transferred to revenue	-	(9,794,764)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.		
Library grant		
Balance unspent at beginning of year	1,042,120	469,332
Current-year receipts	9,225,000	4,690,000
Conditions met - transferred to revenue	(8,482,560)	(4,117,212)

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	2016 R	2015 R
22. Government grants and subsidies (continued)		
	1,784,560	1,042,120
Conditions still to be met - remain liabilities (see note 13).		
The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.		
Performance management grant		
Balance unspent at beginning of year	-	111,587
Conditions met - transferred to revenue	-	(111,587)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
To enable the municipality to carry out the improvement and automation of the municipality's performance management system.		
Sedibeng regional sewer scheme		
Balance unspent at beginning of year	3,607,639	9,110,125
Conditions met - transferred to revenue	(3,607,639)	(5,502,486)
	-	3,607,639
Conditions still to be met - remain liabilities (see note 13).		
This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.		
Department of water affairs and forestry		
Balance unspent at beginning of year	930,484	930,484
Conditions still to be met - remain liabilities (see note 13).		
This grant is used for water demands management.		
Electricity demand site management grant		
Balance unspent at beginning of year	1,517,299	1,517,299
Withheld by Treasury	(1,517,299)	-
	-	1,517,299
Conditions still to be met - remain liabilities (see note 13).		
To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
Regional sewer scheme		
Balance unspent at beginning of year	1,134,668	1,134,668
Conditions met - transferred to revenue	(1,134,668)	-
	-	1,134,668

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	2016 R	2015 R
22. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.		
Projects funded ex Sedibeng district municipality		
Balance unspent at beginning of year	2,704,127	2,704,127
Conditions still to be met - remain liabilities (see note 13).		
Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.		
Municipal systems improvement grant (Sedibeng)		
Balance unspent at beginning of year	50,000	50,000
Conditions met - transferred to revenue	(50,000)	-
	-	50,000
Conditions still to be met - remain liabilities (see note 13).		
Funds meant to fund an LED project. No funds have been withheld by the grantor.		
Debtors book restructuring grant		
Balance unspent at beginning of year	219,952	219,952
Conditions met - transferred to revenue	(219,952)	-
	-	219,952
Conditions still to be met - remain liabilities (see note 13).		
To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (municipal debtors book project) and structuring of the debtors book and preparatory work.		
Sports and recreation grant		
Balance unspent at beginning of year	560,132	560,132
Conditions met - transferred to revenue	(560,132)	-
	-	560,132
Conditions still to be met - remain liabilities (see note 13).		
Sedibeng maintenance grant		
Balance unspent at beginning of year	818,452	-
Current-year receipts	-	818,452
Conditions met - transferred to revenue	(433,360)	-
	385,092	818,452
Conditions still to be met - remain liabilities (see note 13).		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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22. Government grants and subsidies (continued)

The purpose of this grant is the maintenance of farming equipment and implements donated by GDARD to Sedibeng Municipality as part of GDARD's mechanisation programme.

LED grant

Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,500,000)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

Cogta grant

Current-year receipts	8,525,000	-
Conditions met - transferred to revenue	(7,260,067)	-
	<u>1,264,933</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to assist Emfuleni to finance the 90 days service delivery plan.

23. Fines

Traffic fines	128,265,431	143,663,404
Other fines	12,725	16,461
	<u>128,278,156</u>	<u>143,679,865</u>

In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information. The monetary value of fines as disclosed for 2015/16 was calculated from the value of fines issued less the fines withdrawn and, as granting of reductions are within the discretion of the entity issuing fines, these were deducted from the fines issued.

The debtor as disclosed in note 4 was calculated using the above assumption and the existing debtor as 30 June 2016.

Subsequent measurement was done by utilising reliable information from the previous 7 years. The average percentage payment of fines versus fines issued of the previous 7 years, deducting the average percentage of fines paid versus fines issued for 2015/16, were utilised to calculate the estimated recoverable fines for 2015/16. The recoverable amount was deducted from the calculated outstanding as at 30 June 2016 resulting in the calculated impairment of fines(R117 306 380)

Emfuleni Local Municipality

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Notes to the annual financial statements

	2016 R	2015 R
24. Employee related costs		
Basic salaries	542,574,743	513,347,615
13th cheque	40,139,630	38,475,338
Medical aid - company contributions	44,550,237	40,215,881
Unemployment insurance fund (UIF)	4,161,689	4,045,828
Redemption of leave	8,083,825	11,582,294
Leave pay and 13th cheque contribution	7,798,516	8,019,697
Long service awards and medical aid	3,063,128	1,779,228
Pension fund contribution	101,323,854	96,045,047
Overtime payments	61,441,458	42,608,953
Car allowance	37,281,285	36,901,689
Housing benefits and allowances	3,800,161	2,520,833
Other allowance	19,965,448	18,320,938
Group insurance	32,976,663	32,705,812
Skills development and casualty contributions	13,215,062	13,072,882
	920,375,699	859,642,035
Municipal Manager		
Annual Remuneration	1,799,854	2,037,754
Car Allowance	356,447	427,736
	2,156,301	2,465,490
The position of the Municipal Manager was vacant from 31 March 2016 and an incumbent was seconded from Sedibeng District Municipality to the position from 01 April 2016.		
Chief Financial Officer		
Annual remuneration	579,715	1,360,492
Travel, motor car, accommodation, subsistence and other allowances	54,214	138,000
Annual leave	199,973	-
	851,903	1,498,492
The position of CFO was vacant from December 2015 and an incumbent was seconded from Sedibeng District Municipality to the position from 1 February 2016.		
Corporate Services (DMM)		
Annual remuneration	1,427,625	1,335,981
Travel, motor car, accommodation, subsistence and other allowances	258,000	233,000
	1,685,625	1,568,981
Basic Services (DMM)		
The position of DMM: Basic Services is vacant, and an incumbent was appointed to act in the position.		
Chief Audit Executive		
Annual remuneration	1,495,418	1,395,558
Travel, motor car, accommodation, subsistence and other allowances	196,200	196,200
	1,691,618	1,591,758

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
24. Employee related costs (continued)		
Economic Development and Planning (DMM)		
Annual remuneration	1,652,445	1,573,758
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	1,670,445	1,591,758
Public Safety & Community Development (DMM)		
Annual remuneration	1,503,874	1,485,736
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,641,874	1,623,736
Infrastructure Planning and Development (DMM)		
The position of DMM: Infrastructure Planning and Development is vacant, and an incumbent was appointed to act in the position.		
Chief Operating Officer		
Annual remuneration	1,918,635	1,865,881
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	2,056,635	2,003,881
Chief Risk Officer		
Annual remuneration	1,002,116	967,819
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,140,116	1,105,819
Chief Information Officer		
Annual remuneration	1,095,543	1,055,649
Travel, motor car, accommodation, subsistence and other allowances	234,000	234,000
	1,329,543	1,289,649
Head of Revenue		
Annual remuneration	-	627,949
Travel, motor car, accommodation, subsistence and other allowances	-	7,500
Annual leave	-	111,359
Gratuity	-	493,497
	-	1,240,305

The position for Head of Revenue is vacant and an incumbent was appointed to act in the position.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2016 R	2015 R
24. Employee related costs (continued)		
Head Strategic Manager: Support		
Annual remuneration	1,012,687	958,750
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,150,687	1,096,750
Chief Director: Metsi a Lekoa		
Annual remuneration	-	680,160
Travel, motor car, accommodation, subsistence and other allowances	-	41,332
annual leave	-	39,250
	-	760,742
The position for Chief Director: Metsi a Lekoa is vacant and an incumbent was appointed to act in the position.		
25. Remuneration of councillors		
Mayoral Committee members	9,866,449	10,447,852
Councillors	37,146,453	34,883,116
	47,012,902	45,330,968
Mayor		
Annual remuneration	795,680	883,229
Travel, motor, accommodation, subsistence and other allowances	352,422	336,230
	1,148,102	1,219,459
Speaker		
Annual remuneration	627,557	713,312
Travel, motor, accommodation, subsistence and other allowances	287,894	279,591
	915,451	992,903
In-kind benefits		
The office of the Executive Mayor, Speaker and Mayoral committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.		
The Mayor and Speaker make use of a municipal owned vehicle for official duties.		
26. Finance costs		
Interest: external borrowings and creditors	23,148,731	15,732,534
Interest landfill site rehabilitation	19,244,256	16,367,235
interest post employee benefits: health care	11,481,000	11,256,000
Interest long service awards	6,483,000	5,848,000
	60,356,987	49,203,769
27. Bulk purchases		
Electricity	1,502,050,468	1,411,616,164
Water	666,668,413	566,590,697
	2,168,718,881	1,978,206,861

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
28. General expenses		
Advertising	3,532,195	3,181,249
Audit fees	5,785,159	6,196,170
Bank charges	2,753,937	3,524,668
Commission paid	5,930,877	9,335,355
Consulting and professional fees	18,316,270	16,241,912
Consumables	5,587,789	4,399,547
Insurance	50,076,625	46,411,308
Conferences and seminars	2,470,236	3,791,622
Magazines, books and periodicals	425,028	241,266
Medical expenses	22,912	98,092
Relocation cost	20,851	160
Postage and courier	4,365,198	4,461,609
Printing and stationery	6,129,160	5,455,353
Bursary fund	1,875,125	1,392,887
Royalties and license fees	2,781,316	2,159,367
Security (guarding of municipal property)	55,343,781	46,917,948
Software licensing	1,622,256	487,742
Subscriptions and membership fees	10,422,858	9,408,423
Telephone and fax	12,876,491	9,267,777
Training	4,306,305	13,350,629
Uniforms	5,852,363	5,241,193
Special programmes	37,807,635	49,044,305
Arbitration awards	-	531,817
Indigent support	405,426,439	364,370,393
Valuation roll expense	55,771	177,650
Public expenditure	2,018,899	1,388,568
Lease rentals	63,861,943	62,573,995
Disaster relief	-	68,979
Other expenses	204,247,279	178,261,110
	913,914,698	847,981,094

"Other expenses" consist of various minor expenses.

29. Cash generated from operations

Deficit for the year	(336,795,082)	(554,691,296)
Adjustments for:		
Depreciation and amortisation	475,374,580	464,241,089
Fair value adjustments	(32,784,473)	28,590,497
Finance costs - Finance leases	-	5,848,000
Debt impairment	726,687,941	860,468,114
Employee benefit obligation	2,931,000	2,569,000
Contribution to provisions	43,846,547	117,155,992
Movement in insurance reserve	(1,358,373)	-
Prior period error	-	3,039,514
Donations	(15,486,653)	(28,470,957)
Loss on sale of asset	-	11,575,486
Non-cash movement in assets	(7,231,048)	(73,204,652)
Changes in working capital:		
Inventories	(251,916)	(1,881,601)
Trade and other receivables from exchange transactions	(623,490,710)	(793,885,402)
Other receivables from non-exchange transactions	(231,138,793)	16,693,212
Trade and other payables from exchange transactions	223,562,140	300,683,146
VAT	(15,543,553)	(73,564,314)
Unspent conditional grants and receipts	(22,685,452)	1,929,787
	185,636,155	287,095,615

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
30. Correction of error		
During the 2013/14 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial periods. The comparative amounts have been restated as follows:		
Surplus/ (deficit) for the period		11,137,832,294
Balance previously reported 2013/2014		(58,095,960)
Restated balance for 2013/2014		(541,960,343)
Adjustments for 2014/2015		(12,730,943)
Restated balance for 2014/2015		10,525,045,048
2013/2014		
Statement of financial performance		
Revenue from non-exchange transactions		
Property rates		407,685
Expenditure		
Contracted services		1,589,889
Finance costs		16,286,800
Repairs and maintenance		37,540,429
Depreciation		2,422,144
Fines		(22,598)
General expenses		(128,036)
		58,096,313
2014/2015		
Statement of financial performance		
Service charges		117,524,553
Sundry revenue		197,275
Fines		4,650
Contracted services		4,543,330
Depreciation and amortisation		390,426
Employee related costs		3,107,422
Finance costs		6,241,373
General expenses		(781,797)
Repairs and maintenance		326,776
Debt impairment		(118,822,471)
Rental		(593)
		12,730,944

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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30. Correction of error (continued)

Statement of financial position 2013/2014

Trade and other receivables from non-exchange	(384,734)
VAT receivable	(3,597,918)
Property, plant and equipment	(36,139,223)
Intangible asset	(20,512)
Trade and other payables	(17,953,574)
	(58,095,961)

Statement of financial position 2014/2015

Trade and other receivables from non-exchange transactions	(10,154,435)
VAT receivable	11,776,820
Property, plant and equipment	(702,026)
Intangible assets	6,721
Trade and other payables	(13,658,023)
	(12,730,943)

Statement of financial position	Balance 2014/2015	Adjustments 2013/2014	Adjustments 2014/2015	Restated balance 2014/2015
Trade and other receivables from non-exchange transactions	198,078,011	(384,734)	(10,154,435)	187,538,842
Value Added Tax receivable	81,313,057	(3,597,918)	11,776,820	89,491,959
Property, plant and equipment	10,116,258,096	(36,139,223)	(702,026)	10,079,416,847
Intangible assets	19,555,060	(20,512)	6,721	19,541,269
Trade and other payables	(1,026,639,323)	(17,953,574)	(13,658,023)	(1,058,250,920)
	9,388,564,901	(58,095,961)	(12,730,943)	9,317,737,997

Statement of financial performance

Revenue from exchange transactions

Service charges

During the 2014/15 financial year Johannesburg Water(SOC) objected against the levy for industrial effluent on their account and the billing was corrected.

Revenue from non-exchanged transactions

Sundry revenue

- Correction of payments received from various sundry debtors accounts which were receipted as sundry revenue instead of various sundry debtors.

Rental of municipal property

-Adjustment for four rentals was done

Fines.

- Correction of various payments for fines which were receipted against sundry revenue instead of fines account.

Expenditure

Contracted services

- Recognition of various Red Aint Security invoices for services rendered in respect of electricity cut-off and meter readings which were not accrued for in the previous financial year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
Employee related cost		
- Correction of the calculation for provision for 13th cheque relating to previous financial year.		
Finance cost		
- Correction of interest charged on the Eskom account which was incorrectly allocated.		
- Creditors incorrectly disclosed with the portion of imputed interest of R4 285 305(discourting of creditors) relating to creditors paid during 2014/15 financial year. .		
General expenses		
- Recognition of Ricoh and La Nostra Stamatrika invoices for printing services and rental which were not accrued for in the previous financial year.		
- Recognition of PWC invoices for asset labels which were not accrued for in the previous financial year.		
- Recognition of Eskom invoices which were not accrued for in the previous financial year. Correction on the depreciation on projects that were completed in 2012/2013.		
- Accounting for the discount received on the E-Toll invoices.		
- Recognition of various creditors' invoices for related services which were not accrued for in the previous financial year		
Repairs and maintenance		
- Accrual for Drain Surgeon for repairs and maintenance not accrued for in the previous financial year.		
Statement of financial position		
Current assets		
Trade and other receivables from exchange transactions.		
During the 2014/15 financial year Johannesburg Water(SOC) objected against the levy for industrial effluent on their account and the billing was corrected.		
Trade and other receivable from non-exchanged transactions.		
Correction of sundry debtors' payments receipted against sundry revenue instead of sundry debtors.		
VAT receivable		
- VAT portion on several creditors' accrual not claimed.		
- VAT portion on various invoices paid to Red Ants not claimed		
Current liabilities		
Trade and other payables		
- Recognition of various invoices not accrued for in the previous financial years.		
31. Unauthorised, irregular, fruitless and wasteful expenditure		
Irregular, fruitless and wasteful expenditure		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
31. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
Opening balance	20,159,758	12,781,498
Fruitless and wasteful expenditure	5,770,891	7,378,260
	25,930,649	20,159,758

During the current financial year interest amounting to R2 037 187, was incurred due to late payment of accounts, as well as interest and penalties amounting to R2 462 729 incurred due to prior periods input VAT that was claimed by the Municipality but denied after audit by SARS.

Included in the restated opening balance for 2015/2016 was interest incurred due to late payments of SALA pension fund and various other creditors.

Unauthorised expenditure

Opening balance	874,864,383	421,729,606
Unauthorised expenditure	99,115,046	453,134,777
Less: approved/condoned by council in respect of previous financial year	-	-
	973,979,429	874,864,383

32. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	11,079,345	9,942,033
Current year subscription / fee	149,627,142	133,874,668
Amount paid - current period	(137,125,700)	(122,795,323)
Amount paid - previous years	(11,079,345)	(9,942,033)
	12,501,442	11,079,345

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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32. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Total R
Mahommed YJ	121,052
Nthebe MM	63,602
Pooe NS	44,688
Mashabela MS	37,258
Mzongwane SL & LM	32,873
Maseko BP	19,958
Mooi NJ	16,255
Von Bodenstein EK	7,903
Malindi JK	4,540
Mofokeng MJ	2,050
	350,179
30 June 2015	Total R
Ramashamole MT	88,656
Nthabe MM	58,157
Mashabele MS	28,125
Mokhomo PS	25,096
Mvala O	19,086
Mooi NJ	15,816
Thulo PM	3,336
	238,272

33. Electricity and water distribution losses

Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses are as follows:

Electricity

Kilowatts	396 624 431	329 351 935
Amount	304 409 250	220 031 941
Percentage	20.11%	15.5%

Water

Kilolitres	33 390 840	31 049 113
Amount	227 503 649	186 496 567
Percentage	34%	32.9%

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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34. Contingencies

Contingent liability (civil matters)

Claim number	Description	Amount
1	Megazone - claim for damages	154,000,000
2	Old Apostolic - dilectual claim	5,500,651
3	Pele Selepe - claim for negligence	5,000,000
4	Aphane consulting - contractual claim	3,615,910
5	L Mnyandeni - dilectual claim	3,500,000
6	Inhlavuka consult - contractual claim	3,187,346
7	Spies & Nkamane- 3rd party claim	1,762,924
8	Nurcha Finance - contractual claim	875,588
9	B du Preez - dilectual claim	807,433
10	Devinity - contractual claim	724,794
11	NG Kubheka - dilectual claim	651,000
12	ERWAT - contractual claim	608,819
13	Jooste - unlawful arrest	300,000
14	LS Hanyane	300,000
15	M McClean - dilectual claim	200,000
16	PH Haman CC - dilectual claim	137,016
17	NJ Bholo - dilectual claim	100,000
18	PJ Pienaar - unlawful detention	100,000
19	BF Petersen - dilectual claim	60,000
20	MZ Lesenyeho - unlawful arrest	50,000
21	L Mafale - unlawful arrest	50,000
22	MP Skosana - dilectual claim	40,000
23	D Pather- damage to property	38,475
24	PI Kloppers - damage to property	29,024
25	EZ Mehlala - motor collision	28,849
26	J Cilliers - damage to property	23,159
27	JP De la Porte - damage to property	22,200
28	Telkom SA - damage to property	21,586
29	E Pretorius - dilectual claim	10,038
		181,744,812

Contingent liabilities (insurance)

During the 2015/16 financial year, the Municipality encountered insurance claims amounting to R5 477 725

35. Related parties

Section 56 managers
Councillors

Section 56 managers

Section 56 managers (management) received compensation as set out in note 24.

No remuneration was paid to families of Section 56 managers

Members of council

Members of council received compensation as set out in note 25.

No remuneration was paid to family members of council.

All councillors and employees have disclosed their financial interests.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

Figures in Rand

36. Events after the reporting date

The municipality acquired an overdraft facility amounting to R150 million after the reporting date as resolved by council.

37. New standards and interpretations

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is not yet set by the Minister of Finance.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

GRAP 32: Service Concession Arrangements: Grantor

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

37. New standards and interpretations (continued)

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. Principal agent arrangements usually exist as a result of a binding arrangement between the parties to the arrangement.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

38. Standards and interpretations issued, but only effective for financial years beginning on or after 1 April 2016

The following standards were revised and improvements were made to them, but the revisions are only effective for financial years beginning on 1 April or thereafter

GRAP 1	Presentation of financial statements
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 103	Heritage Assets
GRAP 31	Intangible Assets

The municipality expects to adopt the amendments for the first time in 2017 financial statements. The adoption of these amendments is not expected to impact on the results of the municipality but may result in more disclosures than is currently provided.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
39. Employee benefit obligations		
Post retirement benefit plan		
Post-employment health care benefits		
Opening accrued liability	129,840,000	129,951,000
Current-service cost	896,000	1,156,000
Interest cost	11,481,000	11,256,000
Contributions (benefit paid)	(9,697,000)	(8,715,000)
Total annual expense	-	-
Actuarial loss/(gain)	(8,894,000)	(3,808,000)
	123,626,000	129,840,000

The projected unit credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The valuation was performed by ZAQ Consultants and Actuaries.

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine out discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed. This resulted in an overall decrease in the liability of around R 3,585,000.
2. Changes in membership and other smaller assumptions – There were various changes in the membership data between the two valuations and more members left the data set than assumed. The in-service members decreased 9.6% while the pensioners decreased by 2.7%. The net effect of these and other smaller changes in assumptions and experience was a decrease in the liability of around R 5,300,000.

Key assumptions used

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Discount rate

The nominal and real zero curves as at 30 June 2016 supplied by the JSE was used to determine the discount rates and CPI assumptions at each relevant time period.

Medical aid inflation

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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39. Employee benefit obligations (continued)

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

On the basis of the information supplied and the actuarial assumptions used, the value of the Municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date, and is summarised below.

Accrued liability

The accrued liability is given below and is split between the current employees and continuation members (pensioners).

Category	29,255,000	31,938,000
Current (in-service) members	94,371,000	97,902,000
Continuation members (pensioners)	<u>123,626,000</u>	<u>129,840,000</u>

Key financial assumptions

Assumption	
Discount rate	Yield curve
Medical aid contribution inflation	CPI +1%
Consumer price inflation	Difference between nominal and yield curve
	Yield curve based
Net effective discount rate	

Assumption	
Average retirement age	63
Continuation of membership at retirement	100%
Proportion assumed married at retirement	90%
Proportion of eligible current non-member employee joining the scheme by retirement	20%
Mortality during employment	SA 85-90
Mortality post retirement	PA90-1

Withdrawal from service (sample annual rates)

2015/2016	Female	Male
Age	24%	16%
20-24	18%	12%
25-29	15%	10%
30-34	10%	8%
35-39	6%	6%
40-44	4%	4%
45-49	2%	2%
50-54	1%	1%
55-59		

Emfuleni Local Municipality

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	2016 R	2015 R
39. Employee benefit obligations (continued)		
60+	0%	0%
2014/2015		
Age	Female	Male
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation

Membership changes

Changes to current (in-service) membership as at the valuation dates:

	30-06-2016 Valuation	30-06-2015 Valuation	% Change
Number of active employees	113	125	-9.6%
Proportion male	69%	69%	0.3%
Subsidy weighted average age	53.5	53.3	0.4%
Subsidy weighted average past service	26.65	25.95	2.7%
Average monthly subsidy	R3 340	R3 030	10.2%

Changes to continuation membership (pensioners' membership) as at the valuation dates:

	30-06-2016 Valuation	30-06-2015 Valuation	% Change
Number of principal members	254	261	-2.7%
Proportion male	41%	48%	-13.70%
Subsidy weighted average age	74.89	74.69	0.30%
Average monthly subsidy	R3 180	R3 020	5.30%

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Valuation of assets

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet the liability. The municipality therefore did not consider any assets as part of valuation.

Long service awards

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
39. Employee benefit obligations (continued)		
The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAQ Consultants and Actuaries.		
Opening accrued liability	76,066,000	73,386,000
Current service costs	5,787,000	5,831,000
Interest cost	6,483,000	5,848,000
Benefit vestings	(4,167,305)	(5,207,772)
Actuarial loss/(gain)	1,042,305	(3,791,228)
	85,211,000	76,066,000

The main reasons for the actuarial gain can be attributed to the following factors:

Changes in economic variables

1. Changes in economic variables – In this year's valuation the nominal and real zero curves as at 30 June 2016 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed significantly. This resulted in a decrease in liability of around R 274 000.

2. Membership data changes – Over the past financial year, there were various membership changes in the data and more members left service than expected. This, along with some other smaller changes, resulted in an overall decrease in liability of around R 1 315 000.

Financial variables

The following values for these variables were assumed:

Financial variable		
Discount rate	9.02%	8.49%
CPI(Consumer price inflation)	7.26%	6.78%
Normal salary increase rate	8.26%	7.78%
Net effective discount rate	0.70%	0.66%

Discount rate

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

To obtain the applicable discount rate, the implied duration of the liability to obtain an appropriate interest rate on the yield curve was used. The nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine the discounted rates and CPI assumptions was used.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) were derived. Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of 6 %.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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39. Employee benefit obligations (continued)

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables.

Key demographic assumptions 2016

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate (Males)	Withdrawal rate (Females)
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	5%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Comparison with the preceding valuation

In order to illustrate the sensitivity of the results to changes in certain key variables, liabilities were calculated using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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	2016 R	2015 R
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39. Employee benefit obligations (continued)

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

	-0.20% withdrawal rate	Valuation assumption	+0.20 withdrawal rate
Total accrued liability	89,397,000	85,211,000	81,452,000
Current service cost	7,361,000	6,805,000	6,320,000
Interest cost	8,207,000	7,805,000	7,444,000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in normal salary inflation was tested and the effect is as follows:

	-1% Normal salary inflation	Valuation assumption	+1 Normal salary inflation
Total accrued liability	78,686,000	85,211,000	92,535,000
Current service cost	6,177,000	6,805,000	7,523,000
Interest cost	7,188,000	7,805,000	8,497,000

Changes in the value obligation:

	Current valuation date 30-06-2016	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
PV of the obligation as at the previous valuation date	76,066,000	85,211,000	93,125,000	101,417,507
Current service cost	5,787,000	6,805,000	7,146,750	7,533,347
Interest cost	6,483,000	7,805,000	8,394,757	9,133,118
Benefits paid	(4,167,305)	(6,696,000)	(7,249,000)	(7,848,000)
Actuarial loss/ (gain)	1,042,305	-	-	-
	85,211,000	93,125,000	101,417,507	110,235,972

Amounts recognised in statement of financial position and statement of financial performance

	Current valuation date 30-06-2016	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
Liability recognised in statement of financial position	85,211,000	93,125,000	101,417,507	110,235,972
Current service cost in statement of financial performance	5,787,000	6,805,000	7,146,750	7,533,347
Interest cost in statement of financial performance	6,483,000	7,805,000	8,394,758	9,133,118
Actuarial loss/(gain) in OCI	1,042,305	-	-	-

The awarded leave days were converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Long service awards for levels of past service.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2016 R	2015 R
39. Employee benefit obligations (continued)		
10	4%	(10/250)*annual salary
15	8%	(20/250)*annual salary
20 and every 5 years thereafter	12%	20 and every 5 years thereafter

Monetary gifts for levels of past service

	Rand amount
20	7,554
25	7,554
30	10,584
35	13,138
40 and every 5 years thereafter	18,302

Specifics:

- In the month that each "completed service" milestone is reached, the employee is granted long service award;
- Working days awarded are valued at 1/250th of annual salary per day;
- These monetary amounts increase at CPI + 1% each year; and

The amounts stated in the previous report have been inflated by 7.6% in order to obtain the current levels.

Retirement gifts per level of service of retirement

Completed years of service	Rand amount
15	2,90
20	3,662
25	5,293
30	10,584
35 and every 5 years thereafter	18,302

The above monetary amounts increase at CPI+ 1% each year, and the amounts stated in the previous report have been inflated by 7.6% in order to obtain the current levels.

Valuation of assets

At the valuation date the long service leave award liability of the municipality was unfunded, i.e no dedicated assets have been set aside to meet this liability. The municipality therefore did not value any assets as part of this valuation

40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The above services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Description

Deviations	25,600,261	29,740,408
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
41. Budget differences		
Material differences between budget and actual amounts		
(a) Finance income		
The revenue includes interest on debtors which were high due to the high debtors book.		
(b) Trade and other licenses		
The income relates to trade licences in the health department and funeral parlour permits. The income performed more than was anticipated.		
(c) Actuarial gain		
Actuarial gains and losses cannot be determined at the time of budgeting thus the variance.		
(d) Depreciation and amortisation		
Insufficient provision was made in the budget for the line item.		
(e) Imputed interest		
This is interest on creditors outstanding beyond payment terms. The amount is not known at the time of budgeting.		
(f) Loss on disposal of assets		
It is not known at the time of budgeting whether assets will be disposed of and the result thereof.		
(g) General expenses		
Indigent support expenditure was exceeded. Assumed indigent support is assumed to be 30kl which increased the subsidy costs and exceeded budget.		
(h) Fair value adjustment		
Fair value adjustments or reversals on assets are not known at the time of budgeting.		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
41. Budget differences (continued)		
(i) Cash and cash equivalents		
This includes call deposits on grants which were not fully spent at year end. It was anticipated that all will be spent at the time of budgeting.		
(j) Other receivables from non-exchange transactions		
Receivables are less than budgeted due to the provision for bad / doubtful debts. Please refer to the relevant note for the movement thereof and the movement in the provision for bad debts.		
(k) Value added tax receivable		
The value added tax receivable / payable is not known at the time of budgeting.		
(l) Sanlam shares		
Provision was not made for the Sanlam investment in the budgeted Statement of Financial Position.		
(m) Trade and other payables from exchange transactions		
More expenditure was incurred which was accrued at year-end due to cash flow constraints. The liability was anticipated to be less at the time of budgeting.		
(n) Unspent conditional grants and receipts		
It was planned that all conditional grants would be spent by the end of the financial year which did not realise.		
(o) Borrowings		
It was anticipated that the short-term borrowings would decrease from the 2014/2015 financial year after payments are made in the 2015/2016 financial year.		
(p) Provisions		
Short-term provisions increased. The budget amount is based on the performance as at mid-term.		
(q) Bank overdraft		
It was anticipated that the bank overdraft would be settled at year-end as required by law.		
(r) Consumer deposits		
Less consumer deposits were provided for in the budgeted statement of position.		
(s) Employee benefit obligations		
The budgeted provisions amount includes employee benefit obligations below which when factored in results in a variance of - 4% which is not material		
(t) Donations		
This is due to developer-created assets which were donated to the municipality.		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

	2016 R	2015 R
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42. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks, credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Credit risk

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large of rate payers, dispersed across different industries and geographical areas. Consumer debtors are presented net of provision impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by levying of penalty charges, demand for payment and as a last resort handed over for collection, whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Management plans to maintain adequate cash flows by alternative means such:

- disposal of assets
- Investigating other revenue enhancement possibilities and
- improving debt collection

to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the period under review the municipality made a loss of R 336,795,081. Although the current liabilities of the current year exceed the current assets with R 630,234,570 the municipality had an accumulated surplus of R 10,164,028,574. The total assets exceed total liabilities with R 10,188,249,990.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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	2016 R	2015 R
44. Awards to close family member of an official/councillor		
Employee name	Capacity	Amount (R)
NJ Ndebele		1,800
AT Leutloileng		25,400
AM Radebe		151,800
		179,000
45. Capital commitments		
The Council has committed itself to the following capital projects:		
Already contracted for but not provided for		
• Infrastructure	374,314,322	325,510,053
• Other	-	151,752
	374,314,322	325,661,805
This expenditure will be financed from:		
• Municipal infrastructure grant	275,950,595	251,463,555
• Government grants	48,729,733	9,171,910
• Council funds	49,633,994	65,026,340
	374,314,322	325,661,805

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the annual financial statements

46. Public private partnerships

During the 2015/2016 financial year the smart meters installed are disclosed as Contingent Assets

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the entity.

Background

On the 2nd of December 2013, the municipality entered into an agreement with Beijing Fuxing Xiaocheng Electronic Technology Stoc Co. Ltd. (FXXC) for the supply and installation of 66 000 electricity single phase meters, 5 100 three phase meters and 83 123 water meters. The cost per meter and financial benefit to be derived from the installation of these meters are uncertain and is dependent on:

- Increasing user payment collections; and
- Reducing the bulk purchase costs incurred by the municipality for both water and electricity, where this performance must have a positive impact on the benchmarked operating losses incurred by the municipality for both water and electricity operating cycles.

Even though the installed items will take on the inherent attributes of an asset, the control and risk associated with the meters vest with the supplier for the duration of the contract, while the mandated responsibility of water and electricity supply cannot be ceded to the third party. Since the risk and reward associated with these items are contingent to the performance of the supplier, the installed items cannot be reasonably be recognised under Property, Plant and Equipment and is disclosed as a contingent assets

Progress made

As at 30 June 2016, the following items, measured at fair value, has been installed

Row Labels	Extent	CRC
Smart meter - Postpaid	609	2,582,647.20
Smart meter - Prepaid	2,359	5,970,157.20
Smart meter control unit	203	2,198,490.00

47. Operating lease

Operating leases - municipality as a lessor - property

within one year	352,084	350,798
in second to fifth year inclusive	148,438	505,896
	500,522	856,694

Operating leases - municipality as a lessee - fleet

within one year	25,986,200	27,871,564
in second to fifth year inclusive	15,405,187	33,768,681
	41,391,387	61,640,245

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Notes to the annual financial statements

Figures in Rand

47. Operating lease (continued)

Operating leases - municipality as a lessee - office equipment

within one year

97,253

310,927

in second to fifth year inclusive

1,077

26,212

98,330

337,139

Operating leases - Municipality as Lessor - Property

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%

No contingent rent was recognised as revenue because rentals increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee - Property

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating Leases - Municipality as lessee - Fleet

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Office equipment

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

48. Self - insurance reserve

Opening balance

25,578,843

8,374,692

Contribution to reserve

-

156,917,714

Expenditure

(1,358,373)

(139,713,563)

24,220,470

25,578,843

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Emfuleni Local Municipality
Appendix A

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at Tuesday, 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Thursday, 30 June 2016 Rand
Development Bank of South Africa					
13554/101	30.09.2020	15,969,353	-	2,148,419	13,820,934
13959/101	31.03.2017	3,858,435	-	1,929,217	1,929,218
		19,827,788	-	4,077,636	15,750,152
Lease liability					
Fire and emergency	28.02.2016	555,082	-	555,082	-
		555,082	-	555,082	-
Total external loans					
Development Bank of South Africa		19,827,788	-	4,077,636	15,750,152
Lease liability		555,082	-	555,082	-
		20,382,870	-	4,632,718	15,750,152

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Opening Balance		Additions		Donated and newly identified assets		AUC transfers		Fair value adjustments / Provision		Disposals/De-recognition		Closing Balance		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Building Property																						
Dwellings	516,408,832	-	-	-	-	-	-	-	-	-	-	-	516,408,832	-	-	-	-	-	(232,094,943)	-	284,313,889	-
Operational buildings	29,960,654	-	-	-	-	-	431,000	-	-	-	-	-	30,391,654	-	-	-	-	-	(5,159,635)	-	25,232,019	-
	546,369,486						431,000						546,790,486						(237,254,578)		309,535,908	
Infrastructure																						
Electricity	2,252,499,606	2,626,479	-	-	-	-	4,089,707	-	-	-	(882,181)	-	2,258,333,611	-	-	-	-	-	(75,183,941)	-	1,628,328,669	-
Roads and Stormwater	6,873,957,241	25,142,582	-	-	6,764,532	-	53,132,970	-	-	-	(1,045,696)	-	6,957,951,629	-	-	-	-	-	(221,907,405)	-	4,944,758,276	-
Sanitation	1,295,405,480	1,004,184	-	-	2,329,295	-	-	-	-	-	(39,204)	-	1,298,699,755	-	-	-	-	-	(47,133,610)	-	836,955,769	-
Solid waste disposal	175,405,552	-	-	-	-	-	-	-	-	-	-	-	175,405,552	-	-	-	-	-	(47,342,549)	-	54,113,491	-
Water	907,120,261	13,454,202	-	-	5,614,281	-	-	-	7,231,048	-	-	-	933,419,772	-	-	-	-	-	(27,738,219)	-	685,201,420	-
	11,504,388,140	42,227,447			14,708,088		57,222,677		7,231,048		(1,967,081)		11,623,810,319						(419,305,724)		8,149,357,625	
Community Assets																						
Community facilities	490,327,103	-	-	-	-	-	-	-	-	-	-	-	490,327,103	-	-	-	-	-	(6,878,215)	-	445,039,377	-
Sports and recreation	198,884,050	-	-	-	-	-	-	-	-	-	-	-	198,884,050	-	-	-	-	-	(8,779,626)	-	123,117,847	-
	689,211,153												689,211,153						(15,657,841)		568,157,224	

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Opening Balance		Additions		Donated and newly identified assets		AUC transfers		Fair value adjustments / Provision		Disposals / Derogation		Closing Balance		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Heritage assets																						
Heritage asset	90,316	-	-	-	-	-	-	-	-	-	-	-	90,316	-	-	-	-	-	-	-	-	90,316
	90,316												90,316									90,316
Other assets																						
Machinery and equipment	69,994,803	622,688	-	113,178	481,643	(2,855,362)	58,356,951	(48,859,944)	1,927,025	(2,277,553)	(29,936)	(49,240,408)	19,116,543									19,116,543
Furniture and office equipment	32,907,172	1,430,941	-	(41,823)	191,863	-	34,488,173	(22,435,472)	32,346	(1,972,306)	(27,378)	(24,402,810)	10,085,363									10,085,363
Computer Equipment	17,017,685	2,452,643	-	(65,307)	189,397	(212,376)	19,382,042	(11,804,959)	189,972	(1,536,768)	(16,723)	(13,188,478)	6,193,564									6,193,564
Transport asset	161,556,306	1,223,470	-	(328,127)	-	(5,994,226)	156,457,423	(120,223,263)	4,863,398	(2,889,066)	(70,383)	(118,319,314)	38,138,109									38,138,109
Finance leased assets	1,980,805	-	-	209,289	-	-	2,190,094	(1,238,484)	(179,390)	(254,440)	-	(1,672,314)	517,780									517,780
Library books	38,393,166	541,188	-	-	-	-	38,940,354	(27,997,052)	-	(1,208,311)	(84,669)	(29,290,032)	9,650,322									9,650,322
	321,855,937	6,270,930	-	(112,789)	862,923	(9,061,964)	319,815,037	(232,559,174)	6,813,351	(10,138,444)	(229,089)	(236,113,356)	83,701,681									83,701,681
Total property plant and equipment	13,061,905,032	48,498,377	14,708,088	57,540,888	8,093,971	(11,029,045)	13,179,171,311	(3,603,280,189)	8,052,127	(473,417,406)	(229,089)	(4,068,374,557)	9,110,842,754									9,110,842,754
Assets under construction																						
Assets under construction	620,882,369	192,246,754	-	(57,653,677)	-	-	755,475,446	-	-	-	-	-	755,475,446									755,475,446
	620,882,369	192,246,754	-	(57,653,677)	-	-	755,475,446	-	-	-	-	-	755,475,446									755,475,446
Intangible assets																						
Services	13,849,516	-	-	-	-	-	13,849,516	-	-	-	-	-	13,849,516									13,849,516
Computer software	30,384,448	134,947	-	112,789	-	-	30,832,184	(24,892,696)	(99,811)	(1,728,087)	-	(26,720,594)	4,111,590									4,111,590
	44,433,964	134,947	-	112,789	-	-	44,681,700	(24,892,696)	(99,811)	(1,728,087)	-	(26,720,594)	17,961,106									17,961,106
Investment property																						
Investment property	1,374,629,356	-	42,960	-	31,923,166	(4,536,412)	1,402,059,070	-	-	-	-	-	1,402,059,070									1,402,059,070
	1,374,629,356	-	42,960	-	31,923,166	(4,536,412)	1,402,059,070	-	-	-	-	-	1,402,059,070									1,402,059,070
Total																						
Building Property	546,359,486	-	-	431,000	-	-	546,790,486	(208,939,181)	-	(28,315,397)	-	(237,254,578)	309,535,908									309,535,908
Infrastructure	11,504,388,140	42,227,447	14,708,088	57,222,677	7,231,048	(1,967,081)	11,623,810,319	(3,056,385,746)	1,238,776	(419,305,724)	-	(3,474,452,694)	8,149,357,625									8,149,357,625
Community Assets	689,211,153	-	-	-	-	-	689,211,153	(105,396,086)	-	(1,657,841)	-	(121,063,929)	568,157,224									568,157,224
Heritage assets	90,316	-	-	-	-	-	90,316	-	-	-	-	-	90,316									90,316
Other assets	321,855,937	6,270,930	-	(112,789)	862,923	(9,061,964)	319,815,037	(232,559,174)	6,813,351	(10,138,444)	(229,089)	(236,113,356)	83,701,681									83,701,681
Assets under construction	620,882,369	192,246,754	-	(57,653,677)	-	-	755,475,446	(24,892,696)	(99,811)	(1,728,087)	-	(26,720,594)	755,475,446									755,475,446
Intangible assets	44,433,964	134,947	-	112,789	-	-	44,681,700	(24,892,696)	(99,811)	(1,728,087)	-	(26,720,594)	17,961,106									17,961,106
	1,374,629,356	-	42,960	-	31,923,166	(4,536,412)	1,402,059,070	-	-	-	-	-	1,402,059,070									1,402,059,070
Total	15,101,850,721	240,880,078	14,751,048	-	40,017,137	(15,565,457)	15,381,933,527	(3,628,172,885)	7,952,316	(475,145,493)	(229,089)	(4,095,595,151)	11,286,338,376									11,286,338,376

Emfuleni Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2016
Accumulated depreciation

COST/REVALUATION												
Opening Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments / Provision	Disposals/De-recognition	Closing Balance	Opening Balance	Der-recognition /Transfer	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand